

Bruce P. Beausejour
Vice President and General Counsel - New England

185 Franklin Street, 13th Floor
Boston, MA 02110
Tel (617) 743-2445
Fax (617) 737-0648
bruce.p.beausejour@verizon.com

July 8, 2003

BY HAND DELIVERY

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
Commonwealth of Massachusetts
One South Station, 2nd Floor
Boston, MA 02110

Re: D.T.E. 03-50 -- Annual Audit

Dear Secretary Cottrell:

In its Order Adopting Performance Assurance Plan issued September 5, 2000 (D.T.E. 99-271), the Department provided for an annual audit of Verizon Massachusetts' ("Verizon MA") data generation and performance reporting under the Performance Assurance Plan ("PAP"). In August 2002, the Department selected PricewaterhouseCoopers ("PwC") to conduct the initial audit for calendar years 2001 and 2002 (*see* Letter Order dated August 26, 2002). PwC issued its final report on January 31, 2003, in which it detailed a highly successful audit showing Verizon's strong adherence to the performance guidelines and PAP requirements. In response to a Department directive for Verizon MA to initiate the bidding process for the next audit in the first quarter of 2003, we requested that the bidding process be delayed to allow the Department time to determine the timing and scope of the next audit. The purpose of this letter is to recommend that the Department amend its requirement for an annual audit of the PAP to a review that would be conducted on a tri-annual basis.

In its March 13, 2003 Letter Order concerning the PwC audit, the Department noted that the auditor concluded that, with the exception of three instances of material noncompliance, Verizon complied, in all material respects, with the requirements during the period of evaluation. The Department found that "notwithstanding three instances of material noncompliance, the audit demonstrates that overall, Verizon is complying with the data generation, calculation and reporting requirements, including the bill credit requirements, of the Massachusetts PAP. The three instances of material noncompliance did not impact bill credits and did not demonstrate a level of material noncompliance sufficient to constitute 'backsliding' on its Section 271 obligations. Accordingly, the

Department determines that no substantive changes in Verizon's PAP processes and procedures are necessary." (Letter Order pages 2-3).

The audit findings reflect Verizon's proven track record of strong performance on wholesale performance audits at both the state and federal level. Since 1999, when the FCC approved Verizon's application for long distance entry in New York, Verizon has undergone numerous metrics evaluations in connection with its 271 applications, all of which have been favorable. Within the last two years alone, Verizon has successfully completed rigorous state 271 metric evaluations by KPMG and attestations by PwC in the states of Virginia, Maryland, West Virginia and the District of Columbia. In addition, Verizon has successfully completed, with no adverse opinions from the auditors, its FCC Wholesale Metrics merger audit (Merger Condition 5) for the years 2000 and 2001 (performed by PwC) and 2002 (performed by Ernst and Young) along with the Massachusetts PAP audit for 2002 and the Massachusetts *Consolidated Arbitrations* Audits for years 2000 and 2001. Verizon's metrics process is ubiquitous throughout the former Bell Atlantic footprint and, with the exception of New Jersey, Verizon's C2C metrics guidelines and PAP plans are substantially similar. Therefore, Verizon's success in the above mentioned audits should provide the Department with additional assurance that Verizon's metrics process and procedures provide the necessary controls to ensure continued results that provide accurate and timely reporting of parity service performance in the wholesale marketplace.

In addition, both the New York State Public Services Commission ("NY PSC") and the Commonwealth of Virginia State Service Commission ("VA SSC") have the ability to actively replicate Verizon wholesale performance data. The NY PSC has been charged with replicating Verizon's performance data since 1999 and the VA SSC has been charged with replicating performance data since the first quarter of 2002. Neither Commission has identified any significant data quality issues with Verizon's wholesale performance data. Under the New York PAP, CLECs can ask for an audit of Verizon performance results and payment plan if areas of concern arise. To date, the New York Commission has not exercised its jurisdiction under this provision. Here, Verizon has been filing Massachusetts state wholesale performance results since 2000 and during that time the quality of Verizon's wholesale performance data has not been questioned.

Based on the very favorable PwC audit in Massachusetts and the strong reporting performance elsewhere, Verizon MA recommends that the Department revise its annual audit requirements and instead provide for a tri-annual audit. Verizon MA recommends that the next audit be performed in 2005 and cover no more than the most recent 12 months. Such a schedule is reasonable in light of our performance and the fact that audits are expensive and require dedication of significant time and resources for Verizon MA and the Department. An audit on a tri-annual basis will conserve those resources while providing assurance of compliance with the PAP. Additionally, since the audit process

Mary L. Cottrell, Secretary

July 8, 2003

Page 3

timeline is rather lengthy, an annual schedule does not necessarily permit a review of the effectiveness of all of Verizon's remediation activities by the very next audit period, which could make the second audit less informative than contemplated.

Sincerely,

Bruce P. Beausejour

cc: Joan Foster Evans, Esquire, Hearing Officer
Michael Isenberg, Director – Telecommunications Division
April Mulqueen, Assistant Director – Telecommunications Division
Candice Allgaier, Analyst
Berhane Adhanom, Analyst
Attached D.T.E. 03-50 Service List